

BANKING AND INSURANCE QUARTERLY

Information for New Jersey's Banking, Insurance and Real Estate Industries

Auto Insurance Reforms Keep Moving Ahead

GEICO opens for business

The days of New Jersey consumers being teased by commercials offering auto insurance choices that are not available to them are over.

After a long history of insurance companies fleeing from the state, the Department welcomed GEICO, the fifth largest private passenger auto insurer in the country. GEICO was the second major carrier to enter the auto insurance marketplace since Gov. James E. McGreevey's auto reforms were enacted. The company opened for business in New Jersey Aug. 16.

As the country's largest direct marketer, GEICO becomes the first insurer in New Jersey to provide immediate binding to policies sold electronically over the Internet. This Internet-based approach provides consumers the convenience of shopping for policies online, 24 hours a day, seven days a week.

Unlike most national carriers that develop New Jersey-only subsidiaries, GEICO will conduct its insurance business as a national carrier in the state, just like it does in 48 other states. Headquartered in Maryland, the company will operate through its four affiliates, Government Employees Insurance Company (GEICO), GEICO General Insurance Company, GEICO Indemnity Company and GEICO Casualty Company.

See *AUTO INSURANCE*, page 11

Highlights from the Road to Competition

GEICO opens for business
in New Jersey
August 2004

More than \$160 million
returned to policyholders
July 2004



Task Force for Reducing Risks Through
Technology plan announced
May 2004



New consumer tools adopted
March 2004

Auto Insurance Purchasing Planner unveiled
March 2004

Dollar-a-Day policy announced
November 2003

State Farm Indemnity suspends dropping
coverage for 4,000 drivers each month
October 2003

Allstate New Jersey expands agent base
August 2003

Mercury General enters marketplace
August 2003



AIG postpones plans to withdraw
July 2003

Governor signs landmark
auto insurance reform bill
June 2003

REC revokes license of agent convicted of defrauding 9/11 charities

The New Jersey Real Estate Commission within the New Jersey Department of Banking and Insurance has revoked the real estate license of an agent who had been convicted of stealing money from charities established to aid victims of the Sept. 11 terrorist attacks.

Evelyn Wellens, 43, of Edgewater had been convicted of stealing \$78,000 from the Federal Emergency Management Agency, the American Red Cross and Safe Horizon by falsely claiming that she had lost her job in boyfriend Matthew Weissman's lower Broadway law office, near the World Trade Center. Wellens was sentenced in January to serve two to six years in a New York state prison.

"When we learned of this case we acted immediately," Commissioner Holly C. Bakke said. "We cannot condone this kind of behavior by granting her a license to enter other people's homes."

Wellens voluntarily surrendered her New Jersey real estate license following her indictment in New York. She later sought to

have her license reinstated, but was denied because she had indicated on her license application that there were no current charges pending against her. After her conviction, the Commission issued an Order to Show Cause seeking an explanation as to why her license should not be revoked. Wellens responded with a request for a full hearing before the Commission. All eight members of the Commission reached consensus immediately after the April 6 hearing on the decision to revoke Wellens' license.

"This wicked and loathsome act by Evelyn Wellens should not be rewarded with a reinstatement of her New Jersey real estate license," said Dawn Rafferty, executive director of the Commission. "In my opinion, she has no remorse at all for what she has done."

Wellens had been convicted on all counts of the 21-count indictment in New York. Following the hearing, the Commission determined that she should lose her license one year for failing to disclose the indictment on her application, and another five years based on her conviction.

Have You Paid Your License Fees?

On June 30, 2003, as part of the state budget for fiscal year 2004, the real estate license and application fees were increased. The fees were payable in two installments: the first was due June 30, 2003, and the second was due June 1. The Real Estate Commission sent out several notices to all brokers reminding them that the second installment was due. If you have not paid your second installment, please contact the Commission's licensing section at **(609) 292-8300, extension 50127 or 50118** immediately. You may be subject to penalties for violations of the Real Estate License Law if you do not make your payment.

Highlands Water Protection and Planning Act Passed

On Aug. 10, Gov. James E. McGreevey signed the Highlands Water Protection and Planning Act.

The Act designates a portion of northwestern New Jersey as the Highlands Region, which will come under the jurisdiction of a soon-to-be-created Highlands Council. There are 88 municipalities in the northwestern part of the state that will be affected. The development of land within the Highlands Region will be limited by the requirements of the Act. Some areas will not be able to be developed at all and will fall under the preservation section of the Act. Other areas will be subject to restrictions on their development, and will fall under the planning section of the Act.

The Highlands Council and the Department of Environmental Protection will promulgate rules to carry out the intent of the Act. Whether or not a particular parcel of land is within the Highlands Region, and what the restrictions are on that parcel are questions that real estate licensees are going to have to consider in marketing those properties. Owners of properties in potentially affected areas should be advised to have a professional engineer or planner review the Highlands Region map, and compare it with the metes and bounds description of a particular property.

Are You in Trouble with the Law?

Licensees must notify the Real Estate Commission within 30 days if they are charged with, indicted, or convicted of any crime or disorderly persons offense or made the subject of a disciplinary action in another state which affects any real estate license held. *N.J.S.A. 45:15-17(s)* subjects licensees to serious sanctions for failing to provide such notification. Since this law went into effect in 1993, the Commission has sanctioned numerous licensees who failed to comply with this requirement.

Need a Change of Address Form?

If you recently changed your business address or plan to in the near future, please contact the Real Estate Commission for a change of address form at **(609) 292-7053**. A change of address form may also be obtained from our Web site, www.njdobi.org. It is extremely important that we have your correct address on file. Also, if your area code has changed, please notify the Commission so we can update our records.

**For information
about current
licensee fees, go to**

<http://www.njdobi.org/recfees.htm>

REC Investigator: Let the Games Begin

Former state trooper to work security at 2004 Olympics

Steve Sgourakis is going to the Olympics.

Not as an athlete, although the New Jersey Real Estate Commission employee seems fully capable of testing the mettle of any Olympian, but to help ensure that this summer's Olympic games come off without a hitch.

When Greek authorities announced openings for 42,000 Olympics volunteers, 160,000 people applied. Not only was Sgourakis among them, he was accepted on the spot.

"I was in Greece in September – I go every couple of years," explained Sgourakis, an investigator with the Commission. "I read in the paper where they were looking for volunteers, so I went to the Olympic administration office and said, 'I want to submit my name.' "

Sgourakis said he told authorities he would help wherever he could, and, based on the fact that he is a retired New Jersey state trooper, they said, "How about security?" When they asked him to return at a later date for an interview, he said he couldn't because he was visiting Greece while on vacation. "I said, 'Why not interview me now?' and they did."

The 2004 Olympics mark the return of the event to its place of origin, although now the games will be held in several venues in Greece. Olympia was the home of the ancient Olympic Games which, according to tradition, were established by Hercules himself with the Olympian gods as the first competitors. The first modern games took place in Athens in 1896.

Security in areas where the games will be held will be ensured by access control systems for all pedestrians and vehicles entering a venue. It is expected that volunteers such as Sgourakis will assist with pedestrian access and dam-



Sgourakis

age and accident prevention procedures. Security volunteers also will record any lost property or accidents to visitors and spectators.

Sgourakis will be assigned to work only in Athens, because that is where he will be staying. He will be working there through Sept. 1.

"They don't give you accommodations," Sgourakis said, noting that he will be staying with cousins who live in the Athens' area.

Other areas where volunteers will be assigned to work include information technology, international relations, language services, medal ceremonies, press operations, spectator services, Olympic transport, medical services and public relations, among others.

Sgourakis worked 30 years before retiring as a state trooper. He was bored with retirement and in 1986 was looking for something to do when he saw an ad for an investigator's position with the Commission.

"I had to get my license and everything," he said. "I love this job."

Like many children of immigrants, Sgourakis is well-versed in his family's culture. As a young boy, Sgourakis recalls that his father insisted that Greek be spoken at home, but that only English be spoken outside the house. As a result, Sgourakis feels a strong bond with Greece.

Asked why he decided to volunteer, he said, "It's my heritage, I want to give something back."

All Convictions Considered When Applying for License

Under *N.J.S.A. 45:15-12.1*, no real estate license is issued to any person who has been convicted of forgery, burglary, robbery, any theft offense other than shoplifting, criminal conspiracy to defraud, or other like offenses within five years of application. However, the scope of the Real Estate Commission's investigation is not limited to those enumerated offenses. *All* convictions may be considered in determining eligibility for real estate licensure. (See the Rehabilitated Convicted Offenders Act, *N.J.S.A. 2A:168A-1-6*). The Commission makes an inquiry to determine whether each candidate possesses the honesty, trustworthiness, character and integrity as required under the licensing statute (*N.J.S.A. 45:15-9*). For more information, contact the Commission at **(609) 292-8300, extension 50135**.

Reminder: Ads Must be Reviewed

Recently, the Real Estate Commission has handled numerous cases involving advertising complaints. One common thread runs through many of them. Investigations reveal that salespersons have been placing their own advertisements without the review or consent of their employing brokers.

The Commission has issued fines to **both the brokers and the salespersons** for the violations. Brokers are responsible under *N.J.A.C. 11:5-4.2* for any actions of the salespersons employed with them. The advertising regulations are found at *11:5-6.1*.

Also, some salespersons have contracted with other entities, such as mortgage companies, to advertise listings on their Web sites or in print. **This is a violation.** Only a licensed real estate broker or a licensed salesperson working through an employing broker can solicit for prospective buyers and sellers of real estate.

For a current set of the regulations, send a request to the Commission along with a broker's business check or money order for \$10 to PO Box 328, Trenton, NJ 08625-0328 to the attention of Ann Agoes.

New Jersey Celebrates 'Financial Independence Day'

Unveils Consumer Credit Bill of Rights

Demonstrating its commitment to protecting the financial rights of New Jerseyans, the Department of Banking and Insurance unveiled the Consumer Credit Bill of Rights during the Financial Independence Day celebration held July 1. The Bill of Rights advocates fair and equal treatment to those applying for credit and requires added protections with regard to a consumer's credit information. New Jersey, with a long history of providing consumers with the best safeguards in the nation, is the first state to issue this type of additional protection.

"It has become evident that credit plays an important role in the lives of New Jersey consumers," Banking and Insurance Commissioner Holly C. Bakke said. "The Department is committed to giving consumers the tools and information they need to protect their financial investments."

All the tools and rights outlined in the Bill of Rights will be implemented by Labor Day with the exception of those provisions requiring legislation, which will be introduced following legislative summer recess. Among the provisions listed in the bill, consumers will have the right to control who sees their credit information, file complaints with the Department and freeze access to the credit file held by a consumer reporting agency.

The development of the Consumer Credit Bill of Rights required the resources and ingenuity from both the national and state levels of government. The support from U.S. Sen. Jon S. Corzine, State Sen. John H. Adler and Assemblyman Joseph Cryan was essential to tackle the issue of financial literacy in New Jersey. The Department also received input from consumer interest organizations, such as New Jersey Public Interest Research Group and the Consumer Federation of America.



Announcing the Consumer Credit Bill of Rights at the Financial Independence Day celebration were from left, Banking and Insurance Commissioner Holly C. Bakke, State Sen. John H. Adler, Assemblyman Joseph Cryan and U.S. Sen. Jon S. Corzine.

Consumer Credit Bill of Rights

The Consumer Credit Bill of Rights is designed to empower and protect your financial life and credit history. All of the tools and rights outlined in the Consumer Credit Bill of Rights will be implemented by Labor Day, with the exception of those provisions requiring legislation. Those rights requiring legislation will not exist unless enacted into law.

You have the right to a free copy of your credit information

You have the right to control who sees your credit information

You have the right to receive notice if an adverse action is taken against you based on your credit history

You have the right to correct inaccuracies on your credit reports

You have the right to require that credit reporting agencies participate in providing you with credit reports

(Legislation to be introduced in the fall.)

You have the right to access financial literacy materials via the Internet and local locations

You have the right to file complaints with the Department of Banking and Insurance

You have the right to freeze access to the credit file held by a consumer reporting agency about you

(Legislation to be introduced in the fall.)

You have the right to know records containing your personal information will be properly destroyed

(Legislation to be introduced in the fall.)

You have the right to know your rights if you are a victim of identity theft

(Legislation to be introduced in the fall.) For more information about identity theft, visit <http://www.state.nj.us/dobi/identitytheft.htm>

To view the full text of the Consumer Credit Bill of Rights, go to <http://www.njdobi.org/creditrighs.htm>.

Department Launches Initiative to Improve Financial Literacy

Partnership aims to educate communities

In yet another effort to enhance financial literacy and educate New Jerseyans about financial responsibility, the Department of Banking and Insurance launched the New Jersey Financial Literacy Awareness Network (NJFLAN), an initiative to help consumers understand and manage their finances.

NJFLAN will function as an association of public/private organizations consisting of community groups, schools, financial institutions and corporations. NJFLAN will distribute financial education materials and track the progress of individuals who participate in financial education programs offered by organizations joining the network. Organizations that join the network will have the ability to provide New Jerseyans with a personalized assessment report indicating areas that may need improvement and a list of educational materials and workshops that may be helpful.

“We’re offering anyone at any age the tools they need to manage and understand their finances, make sound financial decisions and be financially responsible,” Banking and Insurance Commissioner Holly C. Bakke said. “While there are many financial education initiatives in existence, there is little coordination between them. NJFLAN will fill this important need.”

New Jersey is home to many organizations that offer educational materials, credit counseling and financial solutions. But many consumers do not know how to balance a checkbook and have little insight into the basic principles involved with earning, spending, saving and investing. Recognizing the importance of developing consumers’ financial literacy, NJFLAN coordinates the existing public and private organizations that provide financial educational and resource materials in order to increase consumer access to these programs.

“NJFLAN is part of the Department’s comprehensive financial responsibility campaign developed to better prepare consumers for the expanding role of credit in their daily lives,” said Banking Director H. Robert Tillman, who is



Banking Director H. Robert Tillman announced the creation of the New Jersey Financial Literacy Awareness Network at South Amboy Middle/High School's student-run credit union, The Lighthouse. Below left, Tillman is joined by representatives of The Lighthouse and NJFLAN coordinator Donta D. Bell (back).

spearheading this effort. “What we like about this program is that educational and resource materials are written for all age levels and go a long way in helping to stimulate interest in learning about financial affairs and how to manage money without sinking into debt.”

For more information, visit www.njflan.com or call 1-800-630-0531.



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Commissioner Holly C. Bakke

EDA Partners with New Jersey Banks to Boost Economic Growth, Entrepreneurship

New Jersey is investing in its communities in ways that are not always apparent to the average citizen. The New Jersey Economic Development Authority often works in partnership with lending institutions throughout the state to provide businesses and nonprofit organizations with access to capital for projects they want to undertake, or to close financing gaps.

These collaborative efforts help leverage EDA resources more effectively and support Gov. James E. McGreevey's initiatives to bolster New Jersey's economy and, ultimately, create new jobs.

Banks have traditionally been among the EDA's primary partners. In 2003, the EDA worked with 35 different banks to successfully carry out its programs. "These partnerships allow the EDA to realize its mission, while enabling banks to reduce their risk, build their customer base and meet their community investment obligations," said Caren S. Franzini, the EDA's chief executive officer. "To accomplish this, we provide a number of creative financing programs, plus we help our partners offer important technical assistance."

Financing Programs

The EDA makes its largest financial impact through bond financing, and banks play a key role in this process. Many EDA-issued, tax-exempt or taxable bonds are purchased directly by banks for their own portfolios. Additionally, bonds sold in the public marketplace by an underwriter or placement agent are generally secured by a bank's letter of credit, which guarantees repayment of the loan. These tax-exempt loans benefit nonprofit organizations and manufacturers.

In 2003, 12 banks directly purchased bonds valued at nearly \$98 million for 35 projects. Eight banks provided letters of credit.

Three chartered bank subsidiaries of Commerce Bancorp Inc. were responsible for 24 direct bond purchases totaling more than \$56 million in 2003, including:

- \$8 million to enable the Bacharach Institute for Rehabilitation Inc. to build ambulatory care and aquatic therapeutic pool facilities in Galloway Township;
- \$6.4 million to allow Immunomedics Inc., a biopharmaceutical company developing diagnostic imaging and therapeutic products to detect and treat cancer and infectious diseases, to buy new equipment and refinance debt;
- \$3 million so the Burlington County Community Action Program could build a new child care center in Lumberton Township and refinance debt on two other centers.

City National Bank of New Jersey, Fleet Bank, Greater Community Bank and the Trust Company of New Jersey also were multiple direct purchasers. Businesses and

nonprofit borrowers using bond financing typically are more established as credit worthy, with a good asset and revenue base.

Statewide Loan Pool for Business

One of the EDA's more effective lending programs is the Statewide Loan Pool for Business, which encourages bank participation by combining EDA and bank financing to make loans more affordable and available to small and mid-sized New Jersey businesses.

Loans from \$50,000 to \$5 million are available through a combination of EDA and bank financing. The EDA can lend up to 25 percent to a maximum \$500,000 directly and can guarantee up to 30 percent of the bank portion of the financing. The EDA lends at a below-market rate, thereby strengthening a borrower's cash flow and improving its ability to repay the debt.

Since its inception in the early 1990s, approximately 100 banks have taken part in the program that has supported more than 600 projects and total investments of more than \$530 million. These projects have led to the creation of an estimated 8,600 new jobs. Last year, the program coupled \$7.3 million in EDA participation with \$24 million in bank financing for 32 projects. Banks of all sizes participate in the Statewide Loan Pool for Business.

Technology Funding Program

The EDA's New Jersey Technology Funding Program is a partnership between the EDA and state banks. It is modeled after the Statewide Loan Pool for Business program and designed specifically to provide expansion capital to growing technology businesses. As with the Statewide Loan Pool for Business, combined EDA/bank loans can range up to \$5 million.

Ten different technology companies have borrowed more than \$5 million, the latest of which was University Communications Inc. in Clifton. The company closed a \$1 million Commerce Bank N.A. loan with 25 percent participation by the EDA earlier this year to relocate to a fully integrated data center and open the way for the creation of 23 new high-tech jobs.

Continued on page 7

Continued from page 6

Fund for Community Economic Development

The EDA's Fund for Community Economic Development consists of public and private resources committed to providing a source of flexible financing to support urban-based community facilities and other real estate-related economic development projects.

Low-interest loans up to \$750,000 are available. There are 12 banks in New Jersey that participate in Community Economic Development-funded projects in collaboration with the EDA.

Loan Guarantees

The EDA's ability to guarantee principal repayment of a portion of bank loans also encourages bank lending and helps credit-worthy businesses that may need additional security obtain financing.

Guarantees of conventional loans of up to \$1 million for working capital to meet operating needs and guarantees of conventional loans or bond issues for fixed assets, such as buildings and equipment, of up to \$2 million are available. Guarantees can be arranged for a maximum of 10 years. Generally, guarantees are limited to between 30 percent and 50 percent of the loan amount in non-targeted urban areas and up to 80 percent in targeted urban areas.

Entrepreneurial Training Institute

Banks have been among the EDA's greatest allies in reaching out to the small-business community, particularly through the Entrepreneurial Training Institute (ETI). This program was created in 1992 to help new and aspiring entrepreneurs develop a strategic, organized, step-by-step business plan for their own companies.

Many New Jersey banking professionals serve the program as instructors, facilitators and business plan reviewers to help guide ETI students. The broad financial

experience that bankers bring to the ETI adds significant credibility to the program, which is offered twice each year at 10 locations across the state and is sponsored by the EDA and its affiliate, the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.

The relationships that students build with their banking instructors and facilitators can also be important when they are ready to finance their business. When Rudy Smith decided to re-establish SST Fabrications in Burlington, a custom bag product business originally begun by his grandfather, he went back to his ETI roots. At his ETI class in Lakewood, he met class facilitator Betty Solewater of First Washington State Bank, who eventually helped him obtain a \$105,000 loan from First Washington with a guarantee from the U.S. Small Business Administration to begin the company.

Representatives from more than 20 New Jersey banks participated in the program as instructors and facilitators during the 2003-04 academic year.

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Caren S. Franzini

CEO
NJ Economic Development Authority

Fleet Bank and The Wachovia Foundation recently took its support for the ETI to a broader level by providing financial contributions to boost the state's efforts to promote small-business growth in New Jersey. Partnering with key financial institutions such as Wachovia and Fleet that believe in the value of the ETI program is instrumental in the EDA's ability to encourage small business success in New Jersey and, ultimately, to create new jobs and build stronger communities.

Business Mentoring Program

ETI graduates can also take advantage of a Business Mentoring Program, which provides up to 18 months of free post-graduate services through four business development organizations — the Cooperative Business Assistance Corporation, Camden; the Greater Newark Business Development Consortium; the Regional Business Assistance Corporation, Trenton, and the UCEDC in Union County.

The program, funded by the EDA, provides mentors to help graduates overcome the obstacles they typically face as new business owners. These mentors can also link entrepreneurs to resources that improve their chances of business success. The Fleet and Wachovia contributions will be used to support the continuation of this service.

If your bank would like to work with the EDA to provide affordable financing and increase access to capital for small and mid-size businesses, or if you would like to become involved in small-business development through the ETI program, please call (609) 292-1800. More information about the EDA can also be found on its Web site, www.njeda.com.

"We often hold briefings on our programs for bank loan officers to see how we can work together to expand our customer bases," Franzini said. "We are ready to meet with your banking representatives at your convenience. We look forward to working with you."



From left, former Personnel Commissioner Ida L. Castro, DeWayne H. Tolbert and Gov. James E. McGreevey.

DeWayne H. Tolbert Receives 'Best of the Best' Award

DeWayne H. Tolbert, a regulatory officer with the Office of Legislative and Regulatory Affairs, was recently honored with the Department's "Best of the Best" Award at the 2004 Public Service Recognition Program. Tolbert also received the Community Service Award at the May ceremony, hosted by Gov. James E. McGreevey and former Personnel Commissioner Ida L. Castro. A total of 35 DOBI employees received awards for longevity, customer service, teamwork, exceptional service, professional achievement and community service.

A Trenton native, Tolbert began his career with the Department more than 15 years ago. Tolbert has served on the Board of Managers of Union Industrial Home for Children for the past 10 years and is a former president. He also serves as president of the board of trustees for Anchor House, a shelter for homeless, abused and runaway youth.

In addition, Tolbert complements his leadership abilities with his athletic abilities. He has coached many youth teams in multiple sports, and was assistant coach of the Granville Charter High School varsity football program. Tolbert also was at the helm of the ATS Basketball Organization of America Boys' Traveling Basketball Team and was the assistant coach for the Police Athletic League wrestling team.

Tolbert received a law degree from Southern University Law Center, Baton Rouge, La., where he also was dean of Delta Theta Phi Law Fraternity. He received a bachelor's degree in political science from Morehouse College, where he, upon graduation, served on the Young Alumni Leadership Council and was a Morehouse College mentor.

Examiners Promoted to Highest Level

The Department of Banking and Insurance recently recognized four individuals for their dedication and ability to work in areas with a high degree of complexity and challenge. Richard Abdill, Mary Kay Boyle, Marcy Spinrad and Pete Steffens were promoted to Financial Examiner 1, the highest level in the financial examination area, for their hard work and accomplishments.

"They represent the highest standards of professionalism for the Department," said William Waits, Assistant Director of the Division of Banking. "Each of them provides great service to the institutions they regulate through their analyses and insights."

Richard Abdill started his career with the Department in 1996 as a Financial Examiner 4. Prior to the Department, Abdill was head of the accounting department for Resolution Trust Corporation and served as a captain in the U.S. Army. Abdill received his accounting degree from Rider College and his MBA from Columbia University.

Mary Kay Boyle joined the Department in 1985 as a field bank examiner. Since then, she has worked in the areas of financial analysis, application, corporate filings and surveillance. Last year, Boyle was honored with a Co-Worker Recognition Award. She is a graduate of Rutgers University.

Marcy Spinrad began her career with the Department in October 1989 as an accountant/auditor trainee. Spinrad also was a field examiner and a surveillance examiner in the Trenton office. She holds a bachelor's degree in French and Spanish from Elmira College and an MBA with a concentration in accounting from the University of Pittsburgh.

After Pete Steffens graduated from Thiel College with a degree in economics, he attended the MBA School at Bowling Green State University. Steffens began his career as an examiner with the Federal Home Loan Bank Board (FHLBB) in New York, leaving to become president and chief executive officer of Chatham Savings and Loan Association. Steffens also was an examiner-in-charge for many large state-chartered banks. He joined the Department in 1990 as a project specialist, which led to his permanent appointment as an examiner.



Abdill



Boyle



Spinrad



Steffens

Putting New Jersey Policyholders in the Driver's Seat

These are better days for New Jersey drivers. The auto reforms Gov. James E. McGreevey enacted in June 2003 promised consumers more options, protections and downward pressure on rates. In just over a year, the drastic changes to the marketplace only proves that the auto reforms are working for drivers.

In August, the Department welcomed GEICO, the fifth largest auto insurer in the country, to New Jersey. For the first time in New Jersey history, consumers will have the convenience of shopping for policies over the Internet through www.geico.com. This innovative, Internet-based approach brings New Jersey closer to the modern insurance marketplace the Governor's reforms set out to build.

GEICO's arrival comes on the heels of Mercury General's one-year anniversary in New Jersey. Starting with 1,000 policies and 50 agents, Mercury has grown to writing more than 40,000 policies and appointing more than 300 agents. Through the auto reforms, the Department is giving consumers more options.

The recent trend to lower rates to reward good drivers, combined with new consumer protections, are evidence that the reforms are making the road smoother for New Jersey policyholders. To date, more than \$160 million has gone back to more than 1.5 million New Jersey policyholders in rate reductions and special dividends created by the competitive market. The Department of Banking and Insurance is very pleased with the progress the auto insurance marketplace has made over the past year. We expect the reforms to yield more returns for policyholders, generate more jobs, expand investments and create healthy competition – all benefiting New Jersey drivers.

The auto insurance reforms are based on the belief that when companies compete, consumers win. The Department predicts

more drivers will benefit as existing carriers continue to compete and new carriers are attracted to New Jersey.

Companies also have increased their marketing efforts to attract more drivers. After years of being shunned, the New Jersey driver has become a sought-after commodity. Never before have New Jersey drivers seen so many companies issue them checks to keep their business.

In the past, good drivers were spending weeks or months shopping for a policy. Today, companies eligible to write new business are providing coverage within one week. Insurance carriers also have hired more than 1,200 agents since the auto reforms were signed. Agents have become more accessible and service to consumers is more timely.

The Governor's auto insurance initiative also addresses the number of uninsured drivers on the roads. The Department has developed several programs to reduce the ranks of the uninsured and ensure that all motorists pay their fair share. For the first time, uninsured drivers who previously drained the system of valuable resources are actually contributing to the system.

Also, for the first time, consumers can focus on choices in the marketplace. The Department has created an Auto Insurance Bill of Rights, Auto Insurance Buyer's Guide, and the Web-based Auto Insurance Purchasing Planner, an online tool for consumers to learn about various coverage options available to them.

The competitive marketplace that the reforms are creating is also feeding a growing economy, generating more employment opportunities for agents and allowing companies to expand in order to cover more drivers. Over the next few years, the Department hopes to continue this momentum by further increasing consumer options and downward pressure on rates.

A Message from the Commissioner



Commissioner
Holly C. Bakke

"The Department of Banking and Insurance is very pleased with the progress the auto insurance marketplace has made over the past year. We expect the reforms to yield more returns for policyholders, generate more jobs, expand investments and create healthy competition – all benefiting New Jersey drivers."

Camden Consumer Center Hosts First Train-the-Trainer Program

The Department of Banking and Insurance recently launched a major initiative to arm consumers with the tools they need to understand and improve their credit and finances. The new program, a credit awareness train-the-trainer program, will give individuals the skills they need to operate successfully in the changing financial marketplace.



The train-the-trainer program provides community leaders throughout the state with the ability to offer basic financial management training to individuals in their communities. In keeping with this community-centered approach to financial literacy, the program was recently launched at the Department's Camden Consumer Center.

The first group of "trainers" consisted of approximately 35 leaders representing churches, community groups, non-profit organizations and public agencies - all of which saw

the need for such instruction and responded enthusiastically to the Department's decision to provide it. In fact, the response to the program has been so overwhelming that the Department has decided to sponsor several more workshops, geographically spread throughout the state, within the next few months.

In addition to leaders of many nonprofit groups, the participants of the first session also included members of the Department's education and consumer outreach divisions, who will be traveling the state to share the information with hundreds of people in many different types of forums. For more information, call **(609) 341-2512, ext. 50427**.

New Supervisor to Oversee REC Investigations

Michael McGowan, a former business development director with the New Jersey Housing and Mortgage Finance Agency, has been appointed supervisor of the Real Estate Commission's investigations section, replacing Ken Stout.

McGowan had been a manager with the Banking Division's Consumer Finance Unit and worked closely with Director H. Robert Tillman on special projects.

Stout moved from the REC's investigations unit and now works in the Banking Division's enforcement section, where he will assist with investigations.

Banking and Insurance Closes Communication Gap

Interpreters assist consumers who speak another language

The Department of Banking and Insurance recently announced a new program designed to tear down language barriers and make it possible for consumers to be heard in more than 150 languages.

The Department has contracted with Language Line Services, a national leader in providing over-the-phone interpretation from English into the caller's native language. The service is available through the Department's consumer line **(1-800-446-SHOP)** and its Camden **(856-614-2958)** and Newark **(973-648-4713)** offices.

"This new service enhances our ability to help consumers, regardless of their ethnic background or their ability to communicate effectively in English," Commissioner Holly C. Bakke said. "It is another tool at our disposal to make sure everyone can access the information they need."

When calling, consumers who speak languages other than English are prompted to identify the language they are most comfortable using, and a time that is most convenient for them to speak with an interpreter and a Department staff member. The staff member will then contact Language Line Services and a three-way conversation will ensue.

"We are committed to doing all we can to protect consumers in the marketplace and help them navigate the complex worlds of banking, insurance and real estate," Commissioner Bakke said. "With this interpreter service, our ability to understand and help consumers is further expanded."

Since the program began in July, the Department has fielded calls in Spanish, Portuguese, Turkish and Russian, among other languages.

Auto Insurance Reforms Keep Moving Ahead

Continued from page 1

Mercury General, the first carrier to enter the state since the reforms were enacted, recently celebrated its one-year anniversary in New Jersey. Starting with 50 agents and 1,000 policies, Mercury has so far written more than 40,000 policies and appointed more than 300 agents.

New Jersey drivers have more choices than ever before, with better-priced products that are helping to reduce the ranks of the uninsured.

A year ago, good drivers were spending weeks or months shopping for a policy. Now, companies are providing coverage within a week and some are binding coverage immediately. More than 1,200 new insurance agents are now serving consumers throughout the state. Additionally, due to the reforms, State Farm Indemnity has

suspended its plan to drop coverage for up to 4,000 New Jersey drivers each month.

The bottom line for consumers is improving. In October 2003, USAA Insurance Group and State Farm Indemnity voluntarily lowered rates by 4.9 percent and 4.1 percent, respectively. In March, State Farm Indemnity reduced its rates again, this time by an overall 5.1 percent. A month later, New Jersey Manufacturers reduced its rates by -.80 percent.

In July, Allstate New Jersey and Liberty Mutual each announced plans to return \$15 million to policyholders. Allstate New Jersey's return will be a special dividend, while Liberty Mutual will release its return in both a special dividend and voluntary rate reduction. Since the reform law was enacted, more than \$160 million has

been returned in the form of dividends and rate reductions to more than 1.5 million drivers.

In order to buy the right policy, consumers need to understand how their coverage selections impact what they pay. New tools are in place to help drivers understand coverage options and how much those options will cost. The Department recently unveiled a new consumer-friendly Buyer's Guide, and the Auto Insurance Purchasing Planner, an online consumer guide to policy choices.

Other consumer initiatives include a Consumer Bill of Rights, an Automobile Insurance Report Card to assist consumers in evaluating auto insurers, Three Scenarios, which requires insurers to provide three distinct premium-and-coverage choices, and a requirement that insurers notify customers within 10 days of filing an application to alter its rates.

The reforms also phase out the take-all-comers rule, added a new standard deductible of \$750, maintained the current \$250,000 medical expense benefit standard coverage under Personal Injury Protection (PIP), and made auto insurance fraud a specific crime.

The Governor's reforms also included the creation of the Dollar-a-Day policy, to give those drivers who are likely to go uninsured because of limited financial resources a way to get legal and contribute their fair share.

Dollar-a-Day policies are available to those on federal Medicaid with hospitalization. The policy does not provide liability coverage, but it addresses the chief cost an uninsured driver places on the system: emergency room care after an accident. The driver's Medicaid benefits provide any non-emergency medical care. The policy also includes a contribution to the uninsured motorist fund. More than 6,000 drivers have taken advantage of this opportunity to "get legal."

DOBI, DOT Assemble Task Force for Reducing Auto Risks Through Technology

Demonstrating the McGreevey Administration's commitment to new technology aimed at reducing risks and saving lives, Banking and Insurance Commissioner Holly C. Bakke and Transportation Commissioner Jack Lettiere recently signed an order to assemble a "Task Force – Reducing Risks Through Technology."

The task force, a concept initially raised in the Legislature by Sen. Byron M. Baer, will be comprised of experts in law enforcement, highway safety and the insurance industry. Together, they will identify safety enhancing technologies and initiatives that will improve driving conditions in and outside of the car.

"New technology can make our roads safer, which translates into fewer automobile accidents, fewer injuries and fewer insurance claims," Commissioner Bakke said. "If we can reduce the number of accidents, we can reduce the cost of insurance in New Jersey, further maintaining a downward pressure on premiums."



Pictured from left, Pam Fischer of American Automobile Association, Transportation Commissioner Jack Lettiere and Banking and Insurance Commissioner Holly C. Bakke.

Producer Update: License renewals now online

All producers can now renew their licenses online in a matter of days.

The Department of Banking and Insurance has joined with several other states and the National Association of Insurance Commissioners (NAIC), becoming a pilot state for implementation of a new Web-based producer licensing database, the State-Based Systems (SBS).

SBS is designed to accommodate uniform licensing requirements and over time will allow for online updates and transactions. Online license renewals and non-resident new application processing are the first Web initiatives offered through New Jersey's system.



More than 7,000 producers renew their licenses every quarterly renewal period. Now these producers will have the option of completing the process online.

To renew online, resident producers must have all continuing education credits satisfied and recorded with Promissor, the Department's continuing education vendor, and with the Department itself. Renewals are only available for the current renewal cycle and resident producers will need to have their New Jersey Producer License Reference Number and National Producer Number (NPN) handy.

The NPN is a unique identifier assigned to producers by the NAIC. It is used to identify producers in every state in which they are licensed. If you do not know your NPN, you can obtain it from the National Insurance Producer Registry's Web site at www.licenseregistry.com. Non-resident producers renewing online need their New Jersey Producer License Reference Number and must be licensed in good standing in their home state.

The online resident producer renewal process is fast and easy and provides an immediate acknowledgement of your renewal. If you meet all qualifications, your license will renew within a business day of submission. Please note there is a \$10 processing fee and a credit card transaction fee to renew on the Web. See the Department's Web site at <http://www.nj.gov/dobi/inslic.htm> for details.

Electronic Non-Resident Producer Licensing

Under current insurance laws, if your license is in good standing in your home state, you may apply for a license in New Jersey simply by completing the application for any or all of the lines of authority you have in your home state and paying the required application fee.

The fastest way for you to obtain a non-resident license for major lines of authority is to apply online through the National Insurance Producer Registry (NIPR), a nonprofit affiliate of the National Association of Insurance Commissioners (NAIC). New Jersey has joined approximately 25 other states in participating in Electronic Non-Resident Licensing (ENRL). This online application is designed to accelerate the non-resident licensing process. ENRL is currently only available for new licenses or for adding new lines to an existing license, however, we are working with the NAIC to add online non-resident producer renewals within the next several months.

To apply for a non-resident producer license in New Jersey, please visit NIPR's Web site at <http://www.licenseregistry.com> and click on the "Producer" section.

Letters of Certification on our Web site

With the implementation of state access to a National Insurance Producer Database through the National Association of Insurance Commissioners (NAIC) and the movement toward uniform licensing procedures and reciprocity for non-resident licensing, the vast majority of states no longer require hard copies of letters of certification for new and renewal non-resident applications. Many states will check the status on State Access to the Producer Database (PDB) or accept a current (within 90 days) printout of the resident license status screen from PDB.

To alleviate delays in processing your non-resident applications or renewals, we suggest that you contact the licensing department for the state to determine if they still require letters of certification. However, if a certification letter is required, we are pleased to introduce our new online procedure for producers to view and print letters of certification from their own computers. Instructions for obtaining letters of certification are on the "Just for Producers" section of our Web site, or you can go directly to the following link: <http://www.njdobi.org/licenseesearch/insurancelicensee.htm>.

Continued on page 13

Producer Update*Continued from page 12***Electronic Fingerprinting for New Resident Producer Applicants**

Beginning in April 2004, resident producer applicants applying for major lines of authority and bail bonds are now able to utilize electronic fingerprinting through Live Scan rather than the standard “ink and roll” fingerprint cards. This process will significantly decrease the need for repeat fingerprinting due to poor quality fingerprints and also will provide us with criminal history information on applicants within days rather than months. Applicants will receive information on how to schedule electronic fingerprinting at the time they take their tests for licenses.

Update on Variable Lines Authority

For producers who requested the addition of variable authority to their life insurance licenses, all requests received prior to Dec. 31, 2003, have been processed and those producers should be in receipt of new licenses reflecting the change. If you requested variable authority and have not received a new license, please send a written notification along with a copy of the request you submitted and your current home and business address to:

Department of Banking and Insurance
Insurance License Processing
PO Box 327
Trenton, NJ 08625-0327

We are pleased that we have been able to offer these new services to the producer community. By working toward creating more online and electronic access for you, we can provide a more timely and efficient service and our staff will be available to better serve your other licensing needs.

Corporate Governance Initiative Focuses on Protecting Policyholders

The Department of Banking and Insurance has launched a new initiative to protect policyholders by focusing on corporate governance and placing more accountability on insurance industry leaders. The new initiative was announced in April during a conference for industry leaders, co-sponsored by the Department, the New Jersey Bar Association and the Insurance Council of New Jersey.

The Department’s new, three-prong Corporate Governance Initiative began with a survey of the corporate decision-making structure of all insurance companies and HMOs. Since the conference, the Department has sent out more than 100 surveys to all domestic insurance carriers within the state. The information collected from the survey included background on boards of directors, the selection of independent members, accounting review procedures, ethics oversight and executive compensation.

“Policyholders have a right to financially stable and solvent companies that will be there when they need them,” Banking and Insurance Commissioner Holly C. Bakke said. “They have a right to expect their company to make sound, reasonable decisions that are free from conflicts of interest, and the Department has a responsibility to see to it that companies meet those expectations.”

As the surveys were returned and processed, the Department’s next phase is to meet with each board and present a list of “Best Practices” that the company should begin to incorporate into their structure. The Department will then critique each company’s current structure while updating groups on state regulations.

“We want to make sure that the members of a company’s board of directors, especially the independent directors, know exactly what their statutory duties and responsibilities entail,” said Ray Conover, assistant commissioner of the Office of Solvency Regulation. “It is our goal to help educate them with regard to current best practices as well.”

Company evaluations have started and the Department expects that site visits will continue into 2005.

“Responsible corporate governance demands that boards of directors become watchdogs of the companies they control,” Commissioner Bakke said. “This new Department initiative will give these directors the information they need to direct management and become effective financial stewards.”

The new Corporate Governance Initiative is just one tool in the Department’s arsenal to ensure the financial health of companies selling products to New Jersey policyholders. The Department also monitors quarterly and annual financial reports. Additionally, the Department engages in market conduct examinations to make certain that companies are meeting their obligations to policyholders and are financially stable.

Governor Signs Landmark Law Providing Access to Health Care

After two years of negotiations to develop solutions to ease the crisis of patients' limited access to much-needed health care, Gov. James E. McGreevey signed the New Jersey Medical Care Access and Responsibility and Patients First Act on June 7. This Act provides for immediate and long-term protections for New Jersey patients. Its main objective is to guarantee New Jersey patients have continued access to health care by keeping high-risk specialists in practice and controlling malpractice insurance costs.

"Health care is one of the most important quality of life issues for New Jersey's families. That is why we have made access to quality health care a top priority," Governor McGreevey said. "Our overriding priority is to ensure that patients have access to doctors and quality health care and this bill meets that objective in several ways."

The Act provides for comprehensive reforms to the state's tort liability, health care and insurance systems to ensure that health care services continue to be available and accessible to patients. Among the provisions is the creation of a three-year, \$78 million fund to provide direct premium relief to doctors in high-risk specialties and self-insured hospitals. This fund will be based on an annual \$75 assessment on certain professionals, such as doctors, dentists and lawyers, as well as a \$3 surcharge on all employees who are subject to the New Jersey "Unemployment Compensation Law."

Over the past few years, patients' access to health care was threatened by escalating medical malpractice liability insurance premiums. These soaring rates created an affordability crisis in the purchase of necessary liability coverage for our health care providers. Patients' access to health care was threatened as doctors responded to rising premiums by retiring or moving to other states where insurance premiums were lower.

Among the provisions included in this Act are:

Provides for Qualification of Expert Witnesses:

Establishes that persons executing an affidavit of merit or providing testimony in an action must practice in the same medical field as the defendant. Also provides penalties for intentional misrepresentation.

Reduce Birth Injury Statute of Limitations:

The statute of limitations for birth injuries will be reduced to age 13, down from the previous limit of age 20.

Provide Complementary Dispute Resolution:

Places an emphasis on options such as court-mandated mediation to encourage early disposition of medical malpractice lawsuits.

Affidavit of Non-involvement:

Misidentified defendants, or those who were not involved in the care and treatment of the claimant, may seek dismissal of action.

Award Review:

Grants courts greater discretion in reviewing awards and establishing structured judgments. Awards of less than \$1 million must be paid immediately. Awards exceeding \$1 million require a 50 percent immediate payment with the balance in annuitized payments over 60 months.

Corporate Governance:

Prohibits board members of medical malpractice insurance carriers from serving on the boards of professional associations. Requires CEO to submit certifications that their rates are adequate to ensure safety and soundness of the insurer.

Reporting Requirements:

Requires regular reporting of data on claims, settlements and other financial information to the Department.

Physician Protections and Options:

Requires insurers to provide a reduced premium for policies that do not include a "consent to settle" provision; permits purchasing alliances; mandates that companies offer deductibles; requires insurers to offer installment plans to policyholders, and prohibits premium increases if claims are dismissed prior or close to discovery.

Financial Marketplace:

The Commissioner may order a rate rollback if a carrier's medical liability rates are not in compliance with the law. Insurers must certify to the Department the adequacy of their financial reserves to ensure the safety and soundness of carriers.

Task Force:

A task force will be created, charged with reviewing relevant issues related to the medical malpractice affordability crisis and issuing a report of its findings.



JAMES E. MCGREEVEY
Governor

PETER C. HARVEY
Attorney General

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VAUGHN L. MCKOY
Director

GRETA GOODEN BROWN
Insurance Fraud Prosecutor

To All New Jersey Insurance Producers:

Commissioner Holly C. Bakke and the New Jersey Department of Banking and Insurance (DOBI) has graciously allowed me to use this newsletter to address an issue which I consider to be very important to you as licensees.

As you know, the Office of the Insurance Fraud Prosecutor (OIFP) was established in May of 1998 by enactment of the Automobile Insurance Cost Reduction Act as New Jersey's focal point for all criminal, civil and administrative prosecutions of insurance fraud. Additionally, OIFP is charged with coordinating all insurance related anti-fraud activities of state and local government agencies as well as private industry to create a cohesive and fully integrated state-wide strategy for combating insurance fraud.

Since our inception, we have been assiduously working toward achieving these goals. However, to be truly successful, it is essential that all segments of the insurance industry work together to identify and report fraud whenever and wherever it occurs. Therefore, I am requesting your assistance and support in notifying OIFP when you suspect that an insurance claim or application may be fraudulent. You should report your suspicions immediately to OIFP by calling **1-877-55 FRAUD** or by writing us at **PO Box 094, Trenton, NJ 08625-0094** or through our Web site at www.njinsurancefraud.org.

Next, I would like to bring to your attention an OIFP investigative initiative that aggressively targets application/underwriting fraud. These investigations sometimes center on the initial transactions that occur between the producer and the client at the time of application. In these investigations, when faced with either glaring omissions of relevant information or clear-cut proof of false information on an application which artificially lowers the premium, the applicant/client, with surprising consistency, blames the producer who completed the application. In these instances, the applicant/client alleges that his or her actions in providing false information were at the direction or urging of the producer.

Although we do not suspect this to be a common practice among licensed producers, regrettably, a few of our investigations do indicate that the producer may have improperly instructed a client to withhold relevant underwriting information. Since June 9, 2003, with the passage of the New Jersey Automobile Insurance Competition and Choice Act, such conduct may now be criminally prosecuted as insurance fraud under *N.J.S.A. 2C:21-4.4*. These actions also constitute a civil violation of the New Jersey Insurance Fraud Prevention Act, *N.J.S.A. 17:33A-1 et seq.*, that would subject violators to significant monetary penalties.

OIFP is working closely with DOBI to aggressively prosecute these cases criminally, civilly and administratively. Therefore, we request that you make a concerted effort to obtain **all** correct information from your clients and clearly instruct them that lying on any application for insurance is **fraud**, which subjects them to serious criminal and civil penalties under New Jersey law.

My staff and I look forward to working with you and DOBI toward our mutual goal of eradicating insurance fraud and its effects on both the insurance industry and the citizens of New Jersey.

Very truly yours,

Greta Gooden Brown
Insurance Fraud Prosecutor

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